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INTELLIGENCE

Central Intelligence Bulletin

DEPT OF STATE review(s) completed.

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27 January 1967

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Approved For Release 2003/05/19 : CIA-RDP79T00975A009600090001-6

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Communist China: The acting chief of staff of the army claimed on 4 January that Communist China is capable of launching a space satellite.

A similar statement predicting that a launching would occur this year appeared on 21 January in a Red Guard newspaper at the Peking Aeronautical Institute. Subsequently, a statement attributed to Premier Chou En-lai appeared on a poster in Peking warning Red Guards in military institutes not to expose state secrets.

The Chinese have an MRBM-type ballistic missile which could be used as the first stage of a satellite launch system. With a suitable second stage, this missile could orbit a satellite weighing up to several hundred pounds.

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Malta: Malta has threatened to renounce the UK-Malta Defense Treaty.

Prime Minister Borg Olivier has told the US ambassador he plans to take the action in retaliation for London's recent refusal to reconsider its decision to reduce by two thirds British military forces on the island. London agreed to stretch out the reduction over four, rather than two, years, but held firm on its decision to cut its expenditures on Malta by one half, with a consequent reduction in the number of civilians it employs. The Maltese fear the effects of the cuts on their already shaky economy.

The Maltese Government has been under mounting pressure from the opposition Labor Party and Malta's trade unions to take retaliatory action. This threat, if carried out, will only intensify Malta's problems. Specifically, it would jeopardize \$90 million in British aid scheduled over the next eight years and would lead to an early British withdrawal.

The Maltese Government is also protesting that part of a NATO reorganization plan that subordinates the Commander in Chief Allied Forces Mediterranean, (CINCAFMED) now a major NATO command reporting directly to SACEUR, to the Commander in Chief Allied Forces Southern Europe. The Maltese suspect the reorganization is only a prelude to the removal of CINCAFMED to Italy. NATO Secretary General Brosio has considered proposing such a move to NATO policy-makers.

Borg Olivier has asked for US aid, and suggested that should the US fail to respond he or his successor will be forced "to look elsewhere." Opposition leader Dom Mintoff has long argued that Malta is undercompensated for the Western presence and has claimed that he could obtain economic assistance from Communist and neutralist countries.

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Ecuador-Peru: The anniversary of the Rio Protocol is likely to produce violent demonstrations in Ecuador, and possibly a border clash with Peru.

Ecuadorean students, and possibly labor elements, plan demonstrations in Quito and Guayaquil on 29 January. Similar activity in the past has ended in violence. The US Embassy in Quito could become a target of the demonstrators, since the US is a guarantor of the protocol. The 29th will mark the 25th anniversary of the protocol defining the border, which Ecuador has always claimed favors Peru.

Minor military reinforcements and a few national police have been dispatched to the Ecuadorean border area in response to apparently unfounded reports that Peru has reinforced military units and will unilaterally demarcate that small portion of the line that has never been surveyed. The US Embassy in Lima discounts these reports, but is concerned that Ecuadorean military deployment southward may provoke a Peruvian countermove, despite efforts of both presidents to avoid any incident.

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NATIONAL INTELLIGENCE ESTIMATE

The United States Intelligence Board on 26 January 1967 approved the following national intelligence estimate:

NIE 4-67, "Proliferation of Missile Delivery Systems for Nuclear Weapons"

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